

annual report 1966

File 9

**MOUNT
COSTIGAN
MINES LIMITED**

MOUNT COSTIGAN MINES LIMITED

| | |
|---------------------------------|---|
| OFFICERS | W. L. YOUNG <i>President</i> |
| | G. D. PATTISON <i>Vice-President</i> |
| | R. D. BELL <i>Secretary-Treasurer</i> |
| | W. E. ESSERY <i>Assistant Secretary-Treasurer</i> |
| DIRECTORS | NICKOLAS AXIOTIS Warren, Ohio, U.S.A. |
| | R. D. BELL Toronto, Ontario |
| | W. E. ESSERY Toronto, Ontario |
| | G. D. PATTISON Aurora, Ontario |
| | W. L. YOUNG Ottawa, Ontario |
| TRANSFER AGENT AND REGISTRAR | GUARANTY TRUST COMPANY OF CANADA . Toronto, Ontario |
| AUDITORS | ARTHUR A. CRAWLEY & CO. Ottawa, Ontario |
| HEAD OFFICE | 387 ALBERT STREET Ottawa, Ontario |

MOUNT COSTIGAN MINES LIMITED

Suite 509, 25 Adelaide Street West

Toronto 1, Ontario

DIRECTORS' REPORT

To the Shareholders

Mount Costigan Mines Limited

SUMMARY

The year ending 1966 was again an active one for your Company. Our major effort was concentrated on the development of the rutile-zircon sand deposits at King Island, Australia. In addition, steady progress was made by Comstaff Proprietary Limited, in which we hold a 10% interest, and by Yale Lead and Zinc Mines Limited with whom we have a royalty agreement covering barite-fluorite deposits at Lake Ainslie, Nova Scotia.

Early in 1967 the financial position of your Company was greatly strengthened by a financial agreement with Thesen Securities Limited which shareholders will be asked to approve at the Annual and General Meeting.

Your Board looks forward to 1967 with confidence. Our main efforts will be directed towards completing the King Island feasibility study and, if recommended, bringing the property to production.

ACTIVITIES

King Island Rutile-Zircon Beach Sands

During the year Kenneth McMahon and Partners Pty. Limited, consulting engineers, were retained to carry out a preliminary assessment of the Company's holdings on King Island, and if advisable, to make recommendations leading to a full feasibility study.

McMahon and Partners are a firm of Australian engineers who are well known in the beach sand industry having acted as consultants for Consolidated Rutile Limited and Cudgen R. Z. Limited, two companies which have recently commenced production of rutile and zircon.

After check drilling to confirm the Company's results, McMahon's preliminary assessment is that the area pattern drilled by the Company in 1965 contains 41,974 long tons of rutile and 45,209 long tons of zircon. These tonnages occur on about 3% of the Company's acreage. No calculations were made for the tin content which, although recoverable, McMahon considers of secondary importance in relation to the rutile, zircon potential.

McMahon and Partners recommend that further drilling be carried out with the object of increasing the available tonnage to supply ten years plant feed at a production rate of 10,000 tons of rutile and a like amount of zircon per year. At the same time concentrating tests are to be carried out to provide recovery and plant design data. At the time of writing we are advised that milling tests have shown that the sand is amenable to standard beach sand treatment with minor modifications. Hand drilling of the dune area has increased the total available tonnage to 83,566 tons of rutile and 82,683 tons of zircon. Power drilling of the dunes below water table and of the Lanherne Beach is now getting underway and this program should be completed in approximately 3 months.

During the year the Company acquired without cost a 19% interest in two additional concessions on King Island totalling 28,000 acres. Exploration work to determine the rutile-zircon content of the sand is now in progress.

The demand for rutile and zircon has remained strong throughout the year and industry predictions are that demand and consumption will grow from 235,000 long tons presently produced to 730,000 in 1970-1975.

The principal uses for rutile (titanium oxide) are in the manufacture of titanium white pigment and titanium metal. Zircon is used in the manufacture of refractory brick and zirconium metal.

According to the Engineering & Mining Journal dated April, 1967, the prices being offered for rutile and zircon, Atlantic ports are:

Rutile — 96% TiO_2 for delivery within 12 months. \$119-\$121.00/ton U.S.A.

Zircon — 65% ZrO_2 — \$61.00/ton U.S.A.

Shippers in Australia are receiving better than \$80.00 per ton rutile and \$30.00 per ton zircon (Australian dollars-\$1.00 Aust. = \$1.25 Can.).

We are hopeful that during 1967 the feasibility study can be completed and if an economic operation is feasible that the necessary financing can be completed and a start made on the production plant.

Comstaff Proprietary Limited

Comstaff is an Australian company incorporated to develop the Bischoff tin mine and a large concession area in western Tasmania. Mount Costigan holds a carried 10% interest in the Company and Broken Hill South Limited, a large Australian base metal producer a 90% interest. All funds are being supplied by Broken Hill South Limited.

Comstaff for the year 1966 reports that —

“has continued to explore the Mt. Bischoff tin mine and also the large prospecting area in the north-west of Tasmania. Broken Hill South Limited has a 90% interest in the venture, with Mount Costigan Mines Limited of Canada holding the remaining 10%. Minor extensions beneath and to the south of previous tin mineralization have been added at Mount Bischoff. Research has continued on the metallurgical treatment of the sulphide ores. A substantially improved recovery over results to date will be needed to make the project economic.

“In the larger prospecting area in north-west Tasmania, an airborne Afmag survey was conducted, also ground geophysical and geochemical tests, anomalies being found which remain to be tested.”

Comstaff recently advised the Company that they have exercised the option they held to purchase the mineral exploration rights in the Mount Bischoff area from the original vendors.

Barite-Fluorite, Lake Ainslie, Nova Scotia

Your Company has an agreement with Yale Lead & Zinc Mines Limited whereby Yale may exploit barite and fluorite deposits on the Lake Ainslie claims of Mount Costigan and pay Costigan a royalty of 50¢ per ton of concentrates shipped. During the year the Company received advance royalties of \$30,000 on the first 24 months of commercial production of concentrates.

In the 1966 annual report of Yale Lead and Zinc Mines Limited, the Directors' Report states:

The Company's option to explore for barite and fluorite minerals in three contiguous groups comprising a total of 127 mining claims located in the Lake Ainslie area, County of Inverness, Province of Nova Scotia, is held in good standing.

The diamond drilling program which was completed during 1966, consisting of a total of 15,557 feet indicated, mainly in two deposits, a combined tonnage of 2,580,450 tons grading 46.11% BaSO_4 (barite) and 14.37% CaF_2 (fluorite) after allowing for 10% dilution.

Ore dressing tests have indicated a probable recovery of about 85% of contained CaF_2 in a concentrate grading 90% CaF_2 , and 85% of contained BaSO_4 in a concentrate grading just over 90% BaSO_4 . The tests are continuing to upgrade, if possible, these concentrates to permit a higher sale price.

Negotiations concerning the sale of concentrates are progressing and provided that satisfactory arrangements can be achieved in this regard, a feasibility study of bringing the mine into production will be made.

Of the above-mentioned tonnage, possibly 1,000,000 tons of mill feed grading 43.5% BaSO₄ (barite) and 15.5% CaF₂ (fluorite) after dilution are estimated to underlie Mount Costigan's claims. In terms of concentrate production, this would amount to 407,000 tons of barite and 136,000 tons of fluorite for a total of 543,000 tons which at 50¢ per ton royalty indicates a potential earning to your Company of some \$271,500, less the gross amount of advance royalties sold to Yale last year. This is by no means the total potential for these claims as the vein systems have not as yet been fully delimited.

FINANCIAL

Your Company has entered into an agreement with Thesen Securities Limited which upon the satisfaction of necessary conditions will provide funds to further the development of our King Island rutile-zircon deposits.

Thesen Securities Limited is a private company whose president is David W. Knight. Mr. Knight is also president of Draper Dobie & Company Limited and Consolidated Mogul Mines Limited.

Thesen has firmly underwritten 400,000 shares of Mount Costigan at 20¢ per share. A 3-month option to purchase an additional 200,000 shares at 25¢ has been granted.

The agreement provides that directly following the underwriting the Company will call a general meeting of shareholders and the shareholders will be asked to authorize an application for Supplementary Letters Patent reducing the authorized and issued common shares on a basis whereby each 5 present shares will be reconstituted into 3 new common shares. This reorganization applies to all common shares including those underwritten by Thesen.

A feasibility study is in preliminary preparation at this time. If the study indicates the existence of an economic operation which meets certain standards specified in the agreement, then Thesen will subscribe for new shares and debentures of the Company in such amounts that a minimum of \$1,100,000 or such greater sum as Thesen may elect will be placed in the Company's treasury. This subscription will be subject to approval by the Canadian Stock Exchange, Ontario Securities Commission and Quebec Securities Commission.

Following this subscription by Thesen, shareholders of record as of the third business day after such subscription date will be issued rights entitling such shareholders to purchase 1 new share for each 5 new shares held as of the record date at the same price per share as the Thesen subscription. These rights will be exercisable within 21 days of their issue.

The issuance of common shares and debentures to Thesen will only take place if financing sufficient to bring the properties to production is firmly committed.

Your directors are of the opinion that these are very favourable fiscal developments for the Company.

CONCLUSION

Your directors are satisfied with the progress being made in the development of our rutile-zircon deposits on King Island. Steady advances are also being achieved on the projects under the direction of Comstaff Proprietary Limited and Yale Lead & Zinc Mines Limited in which your Company holds interests. With the introduction of strong financial sponsorship we feel your Company is in a sound position to make important corporate progress in 1967.

On behalf of the Board,

W. L. YOUNG
President.

Toronto, Ontario,
May 23, 1967.

MOUNT COSTIGAN MINES LIMITED

Auditors' Report

To the Shareholders.

MOUNT COSTIGAN MINES LIMITED

We have examined the balance sheet of Mount Costigan Mines Limited at December 31, 1966 and the statements of deficit, exploration and development expenses deferred and administrative expenses for the year ended December 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of deficit, exploration and development expenses deferred and administrative expenses present fairly the financial position of the company at December 31, 1966 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change (with which we agree) outlined in note 3.

ARTHUR A. CRAWLEY & CO.

Chartered Accountants

Ottawa, Canada,
January 19, 1967.

MOUNT COSTIGAN MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

Balance Sheet

DECEMBER 31, 1966

ASSETS

CURRENT

Deposits and sundry accounts receivable..... 258.47

DUE BY DIRECTOR FOR EXPENSE ADVANCES..... 2,896.22

INVESTMENT IN AND ADVANCES TO OTHER MINING COMPANIES

Common shares of Comstaff Proprietary Limited — at cost, note 1 (a) 86,616.70

Advances to associated companies, note 1 (b)..... 7,248.09 93,864.79

INTEREST IN MINING PROPERTIES (at cost)

Regional data 1.00

96 unpatented mining claims, Province of Nova Scotia, note 6..... 190.00

Options on mining properties, King Island, Australia, note 2..... 10,895.00

Deferred exploration and development expenses 144,495.44 155,581.44

\$252,600.92

LIABILITIES

CURRENT

Outstanding cheques less cash in bank..... 153.49

Accounts payable and accrued liabilities..... 11,762.50 11,915.99

SHAREHOLDERS' EQUITY

CAPITAL STOCK AUTHORIZED

200,000 5% non-cumulative preference shares of \$1.00 each,
redeemable at par

5,000,000 common shares without par value,
aggregate consideration not to exceed \$2,500,000.00

CAPITAL STOCK ISSUED (options — notes 2 and 5)

| | Services | Cash | Property (now abandoned) | Total |
|----------------------|----------|------------|-----------------------------|------------|
| Preference shares | | | | |
| 128,879 shares | | 128,879.00 | | 128,879.00 |

Common shares

86,805 shares 17,361.00

1,576,900 shares 345,384.00

900,000 shares 90,000.00

2,563,705 \$ 17,361.00 \$345,384.00 \$ 90,000.00 452,745.00

581,624.00

(100,000 common shares issued for cash of \$25,000.00 during the
year ended December 31, 1966)

DEFICIT 340,939.07 240,684.93

\$252,600.92

Approved on behalf of the Board

W. L. YOUNG Director

R. D. BELL Director

MOUNT COSTIGAN MINES LIMITED

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

December 31, 1966

NOTE 1. (a) By agreement dated September 16, 1964 with Broken Hill South Limited, the company's interest in the Mount Bischoff property was sold to Comstaff Proprietary Limited, an Australian Company incorporated as the operating company for further development of the Bischoff property. Funds previously expended by Mount Costigan on the property totalling \$86,616.70 represent the cost of a continuing 10% capital stock equity in Comstaff Proprietary Limited. At December 31, 1966, the number of shares held was 48,245. The company has recently agreed to relinquish its rights to an additional 8% equity on termination of development of the planned metallurgical extraction process.

(b) Advances to Associated Companies

| | |
|--|----------|
| Advances to Mount Pleasant Mines Limited | 4,946.09 |
|--|----------|

Mount Pleasant Mines Limited has recently made a proposal under the Bankruptcy Act, which if accepted by the creditors would result in the deferment until 1970 of payment of this account. The proposal provides for interest at the rate of 6½ % to be paid for the period of the deferment and also provides for creditors to receive common shares in Mount Pleasant Mines Limited.

| | |
|---|--------|
| Advances to Atlantic Nickel Mines Limited | 130.05 |
|---|--------|

| | |
|--|----------|
| Advances to St. George Molybdenite Mines Limited | 2,171.95 |
|--|----------|

These two companies are associated with Mount Pleasant Mines Limited and realization of the amounts due is dependent upon financing being obtained by these companies.

\$7,248.09

NOTE 2. (a) By agreement in April 1965, the company acquired an option on certain mining lands located on King Island, Australia. Option payments to December 31, 1966 totalled \$10,895 and the option expires on June 30, 1967. Subsequent to the above option agreement the company acquired other concessions on surrounding territory, the costs of acquisition of which are included in deferred exploration and development expenses at December 31, 1966.

By agreements dated December 28, 1966 and January 6, 1967 providing for the financing of the development of the King Island properties, the company has received a firm commitment from its underwriter-optionee that, subject to certain conditions being met by the company, the underwriter-optionee will purchase 400,000 shares of the capital stock of the company at 20 cents per share. In consideration of the above firm commitment the company has granted to the underwriter-optionee an option to purchase 200,000 shares in the capital stock of the company at 25 cents per share exercisable within three months of the purchase of the 400,000 shares.

It is a provision of the above noted agreement dated December 28, 1966 that as soon as possible after the satisfaction of all of the conditions a general meeting of shareholders shall be held to consider authorizing an application for supplementary letters patent reducing the issued capital on a basis whereby shareholders will receive three new common shares for each five common shares presently held. The total of 600,000 shares referred to in the preceding paragraph are shares as presently constituted.

Subject to certain other conditions being met by October 31, 1967, the underwriter-optionee has agreed to purchase 1,000,000 reconstituted common shares of the company at 40 cents per share and to purchase up to \$1,000,000 of debentures to be issued by the company. The funds so provided would be used to finance a partially-owned Australian subsidiary which would hold and operate the King Island concessions. Also subject to the above conditions being met the company proposes to issue rights entitling shareholders to purchase one reconstituted share at 40 cents per share for each five reconstituted shares held.

- (b) During the course of exploration work the company acquired two additional mining concessions located on King Island known as the Surprise Bay and Yellow Rock concessions. By an agreement dated December 27, 1966 the company transferred to Thesen Securities Limited an undivided 75% interest in the concessions in consideration of the agreement of Thesen to provide forthwith \$20,000.00 to be spent on exploration and development work and, if recommended by a qualified engineer or geologist, to provide a further sum up to \$55,000.00 to be expended on further exploration work. The company's remaining 25% interest will be held as to 6% on behalf of the prospecting group which helped to acquire the concessions and as to 19% beneficially by the Company.

NOTE 3. For the year ended December 31, 1966 the company has changed its accounting policy with regard to administrative expenses. As a result of this change deferred administrative expenses at December 31, 1965 and for the year ended December 31, 1966 totalling \$125,691.66 have been charged to deficit.

NOTE 4. The agreement dated June 25, 1965 providing for the joint development of the Lake Ainslie and Gabarouse Bay properties in Nova Scotia has been terminated by the mutual consent of the parties thereto.

NOTE 5. 100,000 common shares are reserved for an incentive stock option plan available to directors, consultants, officers and employees. At December 31, 1966 there were options outstanding on 50,000 shares at 20 cents per share, exercisable on or before April 30, 1967.

NOTE 6. By agreement dated July 26, 1965 the company was granted exclusive exploration and development rights covering a group of claims adjoining the Lake Ainslie property with respect to metallic minerals and ore and the company granted an equivalent right to the owner of the adjoining claims with respect to barium and fluorine deposits on the Lake Ainslie property. The agreement provided that the company would receive a royalty of 50 cents per ton on barite and fluorite concentrates, pellets or other products removed and sold from the Lake Ainslie property and would pay a royalty of 5% of net smelter returns from all metallic minerals and metallic mineral ores taken from the adjoining claims and sold by the company. During the year ended December 31, 1966 the company accepted \$30,000.00 as full settlement of all royalties up to \$95,000.00 which would be payable to Mount Costigan under the agreement on the first 24 months' commercial production of compounds from the Lake Ainslie property.

NOTE 7. Of the 2,563,705 common shares issued, 730,820 shares are held in escrow and are subject to release only on the prior written consents of the Board of Directors and the regulatory bodies having jurisdiction.

MOUNT COSTIGAN MINES LIMITED

STATEMENT OF DEFICIT

Year Ended December 31, 1966

| | | | |
|--|------------|------------|---------------------|
| BALANCE, JANUARY 1, 1966..... | | | 29,594.70 |
| ADD: | | | |
| Administrative expenses, current and prior years — note 3..... | 125,691.66 | | |
| Incorporation expenses written off | 1,500.00 | | |
| Office equipment written off..... | 1,563.79 | | |
| Mining properties abandoned | | | |
| Cost | 92,161.00 | | |
| Exploration and development expenses | 90,427.92 | 182,588.92 | 311,344.37 |
| BALANCE, DECEMBER 31, 1966..... | | | <u>\$340,939.07</u> |

STATEMENT OF ADMINISTRATIVE EXPENSES

Year Ended December 31, 1966

| | Balance January 1, 1966 | Expended During Year | Balance December 31, 1966 |
|---|-------------------------------|----------------------------|---------------------------------|
| Salaries and wages..... | 23,032.37 | 3,655.33 | 26,687.70 |
| Management and consulting fees..... | 14,520.82 | 1,105.00 | 15,625.82 |
| Travel | 8,927.48 | 4,389.73 | 13,317.21 |
| Miscellaneous | 2,050.30 | 1,574.58 | 3,624.88 |
| Canada Pension Plan | | 104.25 | 104.25 |
| Printing, stationery and office..... | 7,335.80 | 2,644.64 | 9,980.44 |
| Office rent | 4,605.00 | 1,932.40 | 6,537.40 |
| Telephone and telegraph | 6,288.36 | 2,340.03 | 8,628.39 |
| Bank charges | 273.34 | 60.92 | 334.26 |
| Legal | 10,466.00 | 3,138.90 | 13,604.90 |
| Accounting and auditing | 6,675.00 | 1,535.00 | 8,210.00 |
| Prospectus and shareholders' information..... | 10,079.98 | 3,222.32 | 13,302.30 |
| Capital stock | 7,964.20 | 1,460.04 | 9,424.24 |
| Insurance | 92.50 | 15.00 | 107.50 |
| Interest on short term investment..... | (886.14) | — | (886.14) |
| Credit re joint agreement..... | (2,911.49) | — | (2,911.49) |
| | <u>\$ 98,513.52</u> | <u>\$ 27,178.14</u> | |
| Administrative expenses, current and prior years, transferred to deficit | | | <u>\$125,691.66</u> |

MOUNT COSTIGAN MINES LIMITED

STATEMENT OF EXPLORATION AND DEVELOPMENT EXPENSES DEFERRED

Year Ended December 31, 1966

| | Balance January 1, 1966 | Expended During Year | Balance December 31, 1966 |
|---|-------------------------------|----------------------------|---------------------------------|
| Salaries and wages..... | 68,918.65 | 8,403.16 | 77,321.81 |
| Consulting fees | 19,002.63 | 12,675.33 | 31,677.96 |
| Travel | 10,200.04 | 4,567.36 | 14,767.40 |
| Recording fees and assessments | 3,095.12 | 2,588.50 | 5,683.62 |
| Survey | 16,851.34 | — | 16,851.34 |
| Diamond drilling | 59,155.41 | 42.76 | 59,198.17 |
| Assaying | 29,221.70 | 2,056.78 | 31,278.48 |
| Camp and party living expense | 14,264.21 | 3,856.01 | 18,120.22 |
| Vehicle expense | 14,631.44 | 718.03 | 15,349.47 |
| Engineering and geology office expense..... | 2,719.83 | 2,264.55 | 4,984.38 |
| Miscellaneous | 2,112.81 | 1,230.99 | 3,343.80 |
| Telephone and telegraph | 2,348.96 | 651.13 | 3,000.09 |
| Unemployment and group insurance..... | 937.14 | 80.00 | 1,017.14 |
| Workmen's compensation insurance | 210.00 | — | 210.00 |
| Field equipment (transfer from fixed assets)..... | — | 1,529.44 | 1,529.44 |
| Credit re joint agreement | (19,409.96) | — | (19,409.96) |
| | <u>224,259.32</u> | <u>40,664.04</u> | <u>264,923.36</u> |
| Advance on production royalties — note 6..... | — | (30,000.00) | (30,000.00) |
| | <u>\$224,259.32</u> | <u>\$ 10,664.04</u> | <u>234,923.36</u> |

DEDUCT:

Exploration and development expenses on mining
properties abandoned during year, transferred
to deficit

90,427.92

Deferred exploration and development expenses on
mining properties in good standing (summarized as
follows)

\$144,495.44

| Location | Balance January 1, 1966 | Expended During Year | Transferred To Deficit | Balance December 31, 1966 |
|------------------------------|-------------------------------|----------------------------|------------------------------|---------------------------------|
| Regional Exploration | 74,348.59 | 1,403.40 | 6,985.81 | 68,766.18 |
| Costigan Mountain, N.B. | 4,125.06 | 23.29 | 4,148.35 | — |
| Lake Ainslie, N.S. | 41,331.51 | (29,842.50) | — | 11,489.01 |
| Gabarouse Bay, N.S. | 35,663.98 | 153.52 | 35,817.50 | — |
| O'Hearn Brook, N.B. | 30,241.65 | — | 30,241.65 | — |
| Middle River, N.B. | 13,234.61 | — | 13,234.61 | — |
| King Island, Australia | 25,313.92 | 38,926.33 | — | 64,240.25 |
| | <u>\$224,259.32</u> | <u>\$ 10,664.04</u> | <u>\$ 90,427.92</u> | <u>\$144,495.44</u> |

Mount Costigan Mines Limited

suite 307, 160 bay street, toronto 1, ontario

364-4391

March 20, 1967.

To the Shareholders,
MOUNT COSTIGAN MINES LIMITED.

Your company has entered into an agreement with Thesen Securities Limited which upon satisfaction of the necessary conditions, will provide funds to proceed with the development of the company's King Island, Australia rutile-zircon deposits.

Thesen Securities Limited is a private company whose president is David W. Knight. Mr. Knight is also president of Draper, Dobie & Company Limited and Consolidated Mogul Mines Limited.

Thesen has agreed, subject to approval of the agreement by the Canadian Stock Exchange, Ontario Securities Commission and Quebec Securities Commission, to underwrite firm 400,000 shares of Mount Costigan at 20¢ per share. A 3-month option to purchase an additional 200,000 shares at 25¢ has been granted.

Directly following the underwriting the company will call a general meeting of shareholders and the shareholders will be asked to authorize an application for Supplementary Letters Patent reducing the authorized and issued common shares on a basis whereby each 5 present shares will be reconstituted into 3 new common shares.

A feasibility study is now being prepared. If the study indicates the existence of an economic operation which meets certain standards specified in the agreement, then Thesen will subscribe for new shares and debentures of the company in such amounts that a minimum of \$1,100,000 or such greater sum as Thesen may elect will be placed in the company's treasury. This subscription will be subject to approval by the Canadian Stock Exchange, Ontario Securities Commission and Quebec Securities Commission.

Following this subscription by Thesen, shareholders of record as of the third business day after such subscription date will be issued rights entitling such shareholders to purchase 1 new share for each 5 new shares held as of the record date at the same price per share as the Thesen subscription. These rights will be exercisable within 21 days of their issue.

The issuance of common shares and debentures to Thesen will only take place if financing sufficient to bring the properties to production is firmly committed.

The initial funds will be used to complete a feasibility study of the company's deposits by Kenneth McMahon & Partners, mining consultants, specialists in beach sand mining for rutile and zircon. Mr. McMahon after a detailed investigation of the company's property has recommended in a report dated October 19, 1966 that additional drilling be done to enlarge the present rutile-zircon ore reserves. This work program is now underway.

Mount Costigan has also acquired two additional concessions on King Island covering approximately 50 square miles. Your directors have approved an agreement with the Knight interests whereby they will spend up to \$75,000 to acquire a 75% interest in the properties. Mount Costigan will retain a 19% interest at no cost and the King Island prospectors a 6% interest. Preliminary prospecting has disclosed rutile and zircon in the sands on these concessions and a systematic prospecting program is scheduled to get underway immediately.

Dr. J. E. Riddell and Mr. Alex Montminy have tendered their resignations as directors and the board wishes to express its appreciation for their faithful service. Mr. G. D. Pattison and Mr. W. E. Essery have been appointed to fill the vacancies.

Your directors are of the opinion that these are very favourable developments for shareholders, in that the company is assured of substantial financing and a close association with a team of experienced mining executives.

On behalf of the Board,

W. L. YOUNG,
President.

MOUNT COSTIGAN MINES LIMITED

Suite 509, 25 Adelaide Street West

Toronto, Ontario

NOTICE OF ANNUAL AND GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual and general meeting of the shareholders of Mount Costigan Mines Limited ("the Company") will be held at Suite 509, 25 Adelaide Street West, Toronto, Ontario, on Wednesday, June 21st, 1967, at the hour of 10:00 o'clock in the forenoon (Toronto Time) for the following purposes:

1. To receive and consider the financial statements of the Company as at December 31st, 1966, together with the reports of the directors and auditors thereon.
2. To elect directors.
3. To appoint auditors and to authorize the directors to fix their remuneration.
4. To consider, and if thought fit, to confirm as a Special Resolution a resolution of the directors changing the location of the head office from the City of Ottawa to the City of Toronto.
5. To consider, and if thought fit, to confirm as a Special Resolution a resolution of the directors authorizing an application for supplementary letters patent changing the name of the Company to New Mount Costigan Mines Limited or such other name as may be satisfactory to the Lieutenant-Governor of Ontario, and re-organizing the capital of the Company, a copy of which resolution is annexed hereto.
6. To consider, and if thought fit, to confirm as a Special Resolution a resolution of the directors authorizing the execution and delivery of an agreement dated December 28th, 1966 between the Company and Thesen Securities Limited, which agreement if carried out in full will involve the sale of a major part of the undertaking of the Company as an entirety to an Australian subsidiary to be formed, a copy of which agreement is annexed hereto.

Shareholders unable to be present in person at the meeting may vote thereat by means of the instrument of proxy enclosed herewith, or by any other appropriate instrument of proxy. If using the instrument of proxy enclosed herewith, sign and date same and return it to the Secretary-Treasurer of the Company at the above address. An information circular accompanies this notice.

DATED at Toronto, Ontario, this 23rd day of May, 1967.

By Order of the Board,

ROBERT D. BELL

Secretary-Treasurer.

INFORMATION CIRCULAR

This circular is furnished in connection with the solicitation of proxies by management of Mount Costigan Mines Limited (hereinafter called "the company") for use at the annual and general meeting of shareholders of the company to be held on Wednesday, June 21, 1967 at ten o'clock in the forenoon (Toronto Time) at Suite 509, 25 Adelaide Street West, Toronto, Ontario, for the purposes set forth in the foregoing notice of meeting.

RIGHT OF REVOCATION

A shareholder executing the enclosed proxy has the power to revoke it at any time before it is exercised.

PERSONS MAKING SOLICITATION AND METHOD THEREOF

The enclosed proxy is solicited by management of the Company and the cost of solicitation will be borne by the Company. Solicitation will be by mail. Proxies may also be solicited by directors of the Company.

INTERESTS IN MATTERS TO BE ACTED UPON

The following tabulation gives brief particulars of any material interest of each of the following persons in the agreement between the Company and Thesen Securities Limited, referred to in the foregoing notice:

| | <i>Nature of Interest</i> |
|----------------------------------|---|
| WILLIAM LEE YOUNG | none |
| DONALD GRAHAM MUNRO | none |
| JOHN EVANS RIDDELL | none |
| NICKOLAS AXIOTIS | none |
| ALEXANDER MONTMINY | none |
| GEORGE DONALD PATTISON | Officer, director and shareholder (1 share) of Thesen Securities Limited |
| ROBERT DONALD BELL | none, but represents Thesen on the company's Board of Directors |
| WILLIAM EARL ESSERY | none, but represents Thesen on the company's Board of Directors |

VOTING OF SHARES AND PRINCIPAL HOLDERS THEREOF

Only shares of record at the time of the said meeting on June 21, 1967 will be entitled to vote at the annual and general meeting. The Company has two classes of shares, preference and common. Both preference and common shares are entitled to one vote per share. On May 23, 1967, the Company had outstanding 2,963,705 common shares, and 128,879 preference shares.

To the knowledge of the directors and senior officers of the Company, the following was at May 23, 1967, the only beneficial owner directly or indirectly, of common shares of the Company that carry more than ten per cent of the voting rights attached to all equity shares of the Company.

| <i>Name of Shareholder</i> | <i>Approximate Number of Shares</i> | <i>% of Outstanding Equity Shares Represented</i> |
|----------------------------|---|---|
| Thesen Securities Limited | 400,000 | 13% |

ELECTION OF DIRECTORS

There are five (5) directors of the Company, all to be elected at the annual and general meeting. The term of office for each director will be from the date of the meeting at which he is elected until the annual meeting next following, or until his successor is elected or appointed.

The following tabulation gives information regarding each person proposed to be nominated for election as a director:

| <i>Name and Principal Occupation</i> | <i>Positions(s) Presently Held</i> | <i>Period as Director</i> | <i>Shares Beneficially Owned, Directly or Indirectly as of May 23, 1967</i> |
|---|---|-------------------------------|---|
| WILLIAM LEE YOUNG, Consulting Geologist, President and Director of the Company and of Mount Pleasant Mines Limited | President and Director | Since 1962 | 221,953 |
| GEORGE DONALD PATTISON, Mining Executive with Perry-Pattison Limited | Vice-President and Director | Since January 1967 | 1 |
| ROBERT DONALD BELL, Mining Executive with Perry-Pattison Limited | Secretary-Treasurer and Director | Since August 1966 | 34 |
| WILLIAM EARL ESSERY, Chartered Accountant with Perry-Pattison Limited | Assistant Secretary- Treasurer and Director | Since January 1967 | 1 |
| NICKOLAS AXIOTIS, Contractor doing business as Holland Realty in Warren, Ohio | Director | Since 1962 | 235,953 |

Messrs. Pattison, Bell and Essery were appointed to the Board of Directors, and will be nominated for re-election pursuant to the agreement between the Company and Thesen Securities Limited, a copy of which is reproduced herewith:

REMUNERATION OF MANAGEMENT

During the fiscal year ended December 31, 1966, the aggregate direct remuneration paid by the Company to its directors and senior officers was \$5,666.56. During the same period, the Company paid a total of \$1,000.00 to Perry-Pattison Limited, 25 Adelaide Street West, Toronto, a company of which Messrs. Pattison and Bell are shareholders and of which Mr. Essery is an employee, for office rental, accounting and administrative services. The Company proposes to continue such payments in the future, on the basis of \$200.00 monthly.

APPOINTMENT OF AUDITORS

Management intends to nominate Messrs. Arthur A. Crawley & Co., Chartered Accountants, the present auditors, to hold office for the ensuing year, and intends to vote proxies accordingly unless contrary instructions are given.

PARTICULARS OF MATTERS TO BE ACTED UPON

In addition to the receipt and consideration of the financial statements, the election of directors and the appointment of auditors, the shareholders will be asked to consider three items of business:

(a) Subject to the approval of shareholders, it is intended to change the location of the head office from the City of Ottawa to the Municipality of Metropolitan Toronto. Virtually all of the Company's business is done in Toronto and expenses will be reduced by making the move from the City of Ottawa.

(b) The Company has entered into an agreement with Thesen Securities Limited dated December 28, 1966, which itself is to be considered by the shareholders as a separate item of business. Under that agreement the Company has already received financing in the amount of \$80,000, which is being used for continued exploration work on the King Island property. The agreement also provides for a capital re-organization of the Company by consolidating the present issued common shares on a basis whereby each shareholder will receive three consolidated shares for each five shares previously held. In order to comply with government regulations, a change of name is also required and the name of New Mount Costigan Mines Limited has been proposed as suitable. The consolidation of issued shares was required by Thesen Securities Limited in order to facilitate additional financing when the feasibility report on the King Island property establishes that it can be brought into production on the terms set forth in the Thesen agreement.

In order to give effect to the Thesen agreement, shareholders will be asked to consider and confirm a resolution of the directors authorizing an application for Supplementary letters patent changing the name and consolidating the capital on the aforesaid basis.

(c) The final item of special business is to consider and confirm as a special resolution, the directors' resolution authorizing the sale of the King Island property to an Australian subsidiary to be formed. This resolution is necessary because the law requires any sale or other disposition of an undertaking of the Company or a major part thereof substantially as an entirety, to be authorized by shareholders. The Thesen agreement referred to above, if carried out in full, will require the setting up of an Australian subsidiary and the transfer to it of the King Island property. Confirmation of the directors' resolution as a special resolution at the forthcoming meeting will give the Company the authority necessary to carry out the Thesen agreement in full as soon as all conditions have been satisfied.

A copy of the resolution being presented to the shareholders, authorizing the application for supplementary letters patent, and a copy of the Thesen agreement are printed along with and as part of this information circular.

If any other matters not now known to management shall properly come before the meeting, including a vacancy or vacancies caused by one or more of the nominees for directors becoming unavailable for election, the accompanying proxy will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

MANNER OF VOTING PROXIES

The shares represented by proxies received by the management will be voted, and will be voted in accordance with the statements made herein, except as may otherwise be stated on the accompanying instruments of proxy. Where the shareholder specifies a choice on the instrument of proxy for or against the items of special business, the shares represented by such proxy will be voted in accordance with such instructions. Where a specification is not so made, full authority is granted to vote in favour of confirmation of the resolution involved without variation. Management also intends to vote proxies received in the election of the board of directors and in favour of the appointment of auditors, all as set forth herein.

THE PERSONS NAMED IN THE ACCOMPANYING INSTRUMENT OF PROXY ARE OFFICERS OF THE COMPANY. A SHAREHOLDER HAS THE RIGHT TO APPOINT ANY PERSON OTHER THAN THOSE NAMED TO REPRESENT HIM AT THE MEETING AND IF USING THE ACCOMPANYING INSTRUMENT, SHOULD STRIKE OUT THE PRINTED NAMES AND INSERT THE NAME OF HIS NOMINEE IN THE SPACE PROVIDED THEREFOR.

On behalf of the board of directors,

W. L. YOUNG

President.

May 23, 1967.

**DIRECTORS' RESOLUTION FOR CONFIRMATION AS SPECIAL RESOLUTION
AUTHORIZING APPLICATION FOR SUPPLEMENTARY LETTERS PATENT.**

WHEREAS Mount Costigan Mines Limited (hereinafter called "the Company") was incorporated under the laws of the Province of Ontario by letter patent dated April 10th, 1962;

AND WHEREAS the authorized capital of the Company is divided into 200,000 non-cumulative redeemable preference shares of the par value of one dollar per share and 5,000,000 common shares without par value of which 128,879 preferred shares and 2,963,705 common shares have been issued and are outstanding as fully paid;

AND WHEREAS it is considered necessary and expedient in the interest of the Company to consolidate the issued common shares without par value, and then increase the number of common shares without par value, and to change the Company's name;

NOW THEREFORE BE IT RESOLVED as follows:

1. The Company be and it is hereby authorized to make application to the Lieutenant-Governor of the Province of Ontario for the issue of supplementary letters patent:
 - (a) changing the name of the Company to New Mount Costigan Mines Limited;
 - (b) consolidating the 2,963,705 issued common shares of the Company without par value into 1,778,223 issued shares without par value, on the basis of three consolidated shares for each five shares previously held, and increasing the number of authorized common shares without par value to 5,000,000 shares by the creation of an additional 1,185,482 common shares without par value ranking on a parity with the then issued 1,778,223 and unissued 2,036,295 common shares without par value, provided that the 5,000,000 common shares without par value shall not be issued for a consideration exceeding in amount on value the sum of \$5,000,000. or such greater amount as the board of directors of the Company deems expedient on payment to the Treasurer of Ontario of the fees payable on such greater amount and on the issuance by the Provincial Secretary of a certificate of such payment.
2. PROVIDED, however, that where such consolidation results in any shareholder becoming entitled to a fraction of a share such shareholder shall not be entitled to be registered on the books of the Company in respect of such fraction or to receive a share certificate therefor, but such shareholder shall be entitled to receive a bearer fractional certificate in respect of such fraction and on presentation at the head office of the Company (or at any place designated by the Company) of bearer fractional certificates for fractions which together represent a whole share, a share certificate for a whole share shall be issued in exchange therefor and the person in whose name such certificate is issued shall be registered on the books of the Company as the holder of such share.
3. The directors and officer be and are hereby authorized and directed to, sign and execute all things, deeds and documents necessary or desirable for the due carrying out of the foregoing.

MEMORANDUM OF AGREEMENT made as of the 28th day of December, 1966.

THESEN SECURITIES LIMITED, a corporation incorporated under the laws of Ontario
(hereinafter called "Thesen")

OF THE FIRST PART

— and —

MOUNT COSTIGAN MINES LIMITED, a company incorporated under the laws of Ontario
(hereinafter called "Mount Costigan")

OF THE SECOND PART

THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements hereinafter set out, it is agreed by and between the parties hereto as follows:

REPRESENTATIONS

1. Mount Costigan represents and warrants to Thesen, as material representations upon which Thesen has relied in entering into this agreement that:

(a) it is a company duly incorporated under the laws of Ontario with an authorized capital of 200,000 5% preference shares with a par value of One Dollar (\$1) each and 5,000,000 common shares without par value, which shares are listed on the Canadian Stock Exchange, of which 128,879 preference shares and 2,563,705 common shares are issued and outstanding as fully paid and non-assessable;

(b) no person, firm or corporation has any agreement or option or right capable of becoming an agreement for the purchase or issuance of any of the unissued shares in the capital of Mount Costigan other than as follows:

Incentive stock option held by William Lee Young, the President of Mount Costigan, covering 50,000 shares at 20 cents per share exercisable on or before April 30, 1967.

(c) it now holds from William Carl Burrows, John Cornelius Curtain, John Henry Curtain and Maxwell Gatenby, all of Hobart, Tasmania, the right to acquire a concession on King Island, Tasmania, Australia, in Bass Strait, known as the Naracoopa Concession shown on the attached map and more particularly described in the attached Schedule "A" hereto, and now holds from the Government of Tasmania, Australia, an adjoining concession, also shown on the attached map and more particularly described in Schedule "A" hereto which concessions are herein-after collectively referred to as the King Island Concessions and have been issued subject to the restrictions, terms and conditions also set out in Schedule "A" hereto; in order to exercise its option to acquire the Naracoopa Concession, the Company must on or before December 31, 1966, undertake to incorporate a new public company to hold the Naracoopa Concession through a wholly-owned Tasmania subsidiary to be incorporated and to cause to be issued or transferred to the optionors out of the Vendor consideration to be paid by the new company for the Naracoopa Concession 200,000 fully paid shares of which up to 90% may be placed in escrow; it has commenced to negotiate with the optionors for an amendment to the terms of exercise whereby the optionors will accept instead of 200,000 shares in a new company to be formed in Canada either 200,000 shares in an Australian operating company or a share interest in an Australian operating company which will not exceed 3 to 4% of the capital of such company and is in a position to conclude such negotiations within a reasonable time;

(d) the entry into of this agreement has been authorized by the directors of Mount Costigan Mines Limited;

(e) the balance sheet of Mount Costigan as at the 30th day of September, 1966, and signed by the President and the Secretary-Treasurer of Mount Costigan, correctly shows the financial position of Mount Costigan as at such date and in particular all debts and liabilities of Mount Costigan;

(f) since the 30th day of September, 1966, Mount Costigan has incurred no debts or liabilities except in the ordinary course of business, has made or authorized no payments to officers, directors, shareholders or employees of Mount Costigan except in the ordinary course of business and/or at the regular rates of salary or other remuneration, and has made or authorized no capital expenditures save as provided for or referred to herein;

(g) it has no officers or employees save the President who cannot be dismissed on not more than one month's notice; it does not have any outstanding contract other than this agreement or other than referred to herein, contracts in the ordinary course of business which have not more than two months to run, a proposed contract relating to regional data in the Atlantic Provinces and its exploitation by a syndicate, a contract presently being negotiated with Cominco Ltd. providing for the further exploration of a Canadian property of the Company known as the Lake Ainslie property, a contract with Yale Lead and Zinc Mines Ltd. providing for mutual royalties in connection with properties in the Lake Ainslie area and contracts which are not disclosed or included in the said balance sheet of Mount Costigan and it is in good standing on all contracts to which it is a party and entitled to all benefits thereunder;

(h) there are no actions, suits or proceedings (whether or not on behalf of Mount Costigan) pending or to the knowledge of Mount Costigan threatened against or affecting Mount Costigan at law or in equity or before any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign and which involve the possibility of any judgment or liability not fully covered by insurance:

FIRST COMMITMENT

2. Subject to the terms and conditions hereof, Thesen agrees on the First Closing Date (as hereinafter defined) to subscribe for, take up and pay for an aggregate 400,000 common shares of Mount Costigan (as presently constituted) at a price of Twenty Cents (20¢) per share and Mount Costigan agrees to issue such shares as fully paid and non-assessable and on the First Closing Date to deliver share certificates in respect of such shares to Thesen in such denominations as Thesen may designate.

From time to time Thesen may, in its sole discretion, prior to the First Closing Date, advance to Mount Costigan amounts of money in respect of the subscription price for the said 400,000 common shares referred to in paragraph 1 hereof and, until issuance of the said 400,000 common shares, Mount Costigan shall remain indebted to Thesen for such advances and Mount Costigan does hereby agree to repay the amount of the said advances to Thesen. In the event that the subscription for, taking up, payment for and issuance of shares of Mount Costigan as contemplated by paragraph 2 hereof is not completed for any reason, repayment of such advances shall be made by Mount Costigan out of the first monies received by it and as evidence of such obligation to repay such advances, Mount Costigan shall from time to time as such advances are made, deliver to Thesen its promissory notes bearing interest at the rate of 6% per annum, which notes shall not be assigned or negotiated by Thesen.

In consideration of the commitment made herein, Mount Costigan hereby grants to Thesen the exclusive option to purchase an additional 200,000 common shares of Mount Costigan as presently constituted at the price of Twenty Five Cents (25¢) per share exercisable within three months of the First Closing Date, and agrees to one three-month extension of such option if such an extension is applied for by Thesen.

MANAGEMENT

3. In consideration of the financing commitment provided for in clause 2 hereof, Mount Costigan agrees that forthwith after the execution and delivery hereof it will regularly call and hold a meeting of its directors at which three of the five presently authorized directors will resign and at which three persons nominated by Thesen will be validly appointed as directors, and at which the officers of Mount Costigan, save the President, will resign and persons nominated by Thesen will be appointed to such offices as Thesen may direct, provided that no salaries as officers shall be paid to such nominees of Thesen. Each of the parties agrees to take such action lawfully available to it as may be necessary or desirable in order to maintain in office a board of directors consisting of three nominees of Thesen and two nominees of present management, and to maintain as officers, except the President, nominees of Thesen, so long as this agreement is in effect and the parties are proceeding under it, and, if this agreement is completed, for five years after the Second Closing Date. If this agreement shall terminate by reason of the failure of any condition or for any other cause which does not involve a serious breach hereof on the part of Mount Costigan, Thesen shall forthwith cause to be called and held a directors' meeting of Mount Costigan at which its nominees shall resign as officers and directors and properly place in office persons named by William L. Young.

4. All amounts received by Mount Costigan by way of advances in respect of the subscription price as contemplated by paragraph 2 hereof and in respect of the issuance of the said 400,000 common shares as contemplated by paragraph 2 hereof, shall be held apart from the general funds of Mount Costigan and shall be expended by Mount Costigan in connection with a program of exploration and evaluation of the King Island Concessions with a view to the preparation, within a period of six months after the First Closing Date by Kenneth McMahon, of a feasibility report in respect of the King Island Concessions and the potential of same for the purposes of mining.

CONDITIONS

5. The obligations of Thesen to subscribe for, take up and pay for the said 400,000 common shares without par value in the capital of Mount Costigan (as presently constituted) as provided in paragraph 2 hereof, shall be subject to the following conditions to be fulfilled on or prior to the First Closing Date and Mount Costigan does hereby covenant and agree that it will do all things necessary and use its best efforts in order to satisfy or procure the satisfaction each of such conditions:

(a) the acceptance for filing by the Ontario Securities Commission, the Quebec Securities Commission, and any other Canadian securities regulatory body designated by Thesen of a prospectus of Mount Costigan disclosing all material facts relating to the issue of securities of Mount Costigan, including the terms hereof and qualifying the said 400,000 common shares for sale to the public (the form of which prospectus shall be subject to the approval of the solicitors for Thesen);

(b) the acceptance for filing by the Canadian Stock Exchange of a Filing Statement of Mount Costigan disclosing the proposed issuance of the said 400,000 common shares and all other actual or proposed material changes in the affairs of Mount Costigan;

In case any of the foregoing conditions shall not be fulfilled at or before the 31st day of March, 1967, Thesen may rescind this agreement by notice to Mount Costigan and in such event Thesen shall be released from all obligations hereunder and unless Thesen can show that the condition or conditions for the non-performance of which Thesen has rescinded such agreement are reasonably capable of being performed or caused to be performed by Mount Costigan, then Mount Costigan shall also be released from all obligations hereunder other than the obligations to repay advances pursuant to paragraph 2 hereof; provided that any of the said conditions may be waived in whole or in part by Thesen without prejudice to its right of rescission in the event of the non-fulfilment of any other condition or conditions, any such waiver to be binding upon Thesen only if the same is in writing.

6. The subscriptions for, taking up, payment for and issuance of the 400,000 common shares as contemplated by paragraph 2 of this agreement shall be completed on such day as shall be designated by Thesen to be the First Closing Date by notice given to Mount Costigan in the manner hereinafter provided not less than five business days prior to such date, such notice to be given within three business days following the fulfilment of each of the conditions referred to in paragraph 5 hereof.

On the First Closing Date, Mount Costigan shall deliver to Thesen certificates (in such denominations as shall be requested by Thesen) representing 400,000 common shares in the capital of Mount Costigan, duly and regularly recorded in the name of Thesen or its nominees, all amounts previously advanced by Thesen to Mount Costigan shall be applied in respect of the purchase price for such shares and payment of that portion of the purchase price for such shares which shall not have previously been advanced by Thesen to Mount Costigan shall be made by certified cheque payable at par in Toronto to or to the order of Mount Costigan or in such other manner as Mount Costigan may in writing direct at or prior to the First Closing Date.

On or before the First Closing Date —

(a) all necessary steps and corporate proceedings as approved by the solicitors for Thesen shall be taken to permit the said 400,000 common shares of Mount Costigan to be duly and regularly issued as fully paid and non-assessable to Thesen or its nominees;

(b) Thesen shall be furnished with evidence (including affidavits or statutory declarations made by persons approved by Thesen) satisfactory to Thesen that the facts with respect to the matters dealt with in each of the subparagraphs of paragraph 1 hereof are still as set forth in such subparagraphs, provided that the reception of such evidence and the closing of the transaction herein provided for shall not be a waiver of the representations and warranties contained in paragraph 1 hereof, which representations and warranties shall continue in full force and effect;

SHAREHOLDER APPROVAL

7. Forthwith after the First Closing Date Mount Costigan agrees to call and hold a general meeting of its shareholders to consider and if deemed advisable to authorize an application for supplementary letters patent reducing its authorized and issued common shares on a basis whereby each five present shares will be reconstituted into three common shares, to approve the disposition of the King Island Concessions referred to hereafter and to consider and deal with all contracts and other business which either party hereto may require to be placed before its shareholders, whether or not confirmation of such business is required by law.

SECOND COMMITMENT

8. Subject to the terms and conditions thereof, Thesen agrees on the Second Closing Date (as hereinafter described)

(a) to subscribe for, take up and pay for a further 1,000,000 common shares without par value in the capital of Mount Costigan (as the same shall be reconstituted following the issuance of supplementary letters patent referred to in paragraph 7) at a price of Forty Cents (40¢) per share and Mount Costigan agrees to issue such shares as fully paid and non-assessable and on the Second Closing Date to deliver certificates in respect of such shares to Thesen in such denominations as Thesen may designate; and

(b) to take up and pay for debentures to be issued by Mount Costigan in an aggregate principal amount of the lesser of \$1,000,000 and an amount which, when added to the subscription price for the said common shares without par value (as reconstituted) subscribed for by Thesen under subparagraph (a) of this paragraph 8, shall be equal to 50% of the capital cost of bringing into production a mining operation on the King Island Concessions as estimated in the feasibility report referred to herein and, at the election of Thesen, shall not be greater than 70% of such capital costs.

RIGHTS ISSUE

9. Conditional upon the authorization of shareholders for the application for supplementary letters patent referred to in paragraph 7, and conditional upon the Second Commitment coming into effect and being completed, the parties hereto agree to take all such steps and to cause Mount Costigan to take all such steps as may be necessary to issue to all shareholders of record as of the third business day following the Second Closing Date, rights entitling Mount Costigan shareholders to purchase one (1) reconstituted share at Forty Cents (40¢) per share for each five reconstituted shares held by such shareholders as of the said record date, which rights shall be exercisable within twenty-one days of their issue date. It is understood and agreed that Thesen may at its election undertake to support the said rights issue by agreeing to subscribe for and purchase from the Company at Forty Cents (40¢) per share all shares set aside for the said rights issue and not purchased thereunder.

Thesen shall have the right to tender debentures purchased by it under the provisions of paragraph 8(b) hereof at face value plus interest to the date of tender, in payment for Mount Costigan shares which may be taken down by Thesen under this paragraph whether by virtue of Thesen's shareholdings or (in the event that Thesen so supports the said rights issue), by virtue of its purchase of shares set aside for the said rights issue and not purchased thereunder.

CONDITIONS

10. The obligation, as provided in paragraph 8 hereof, of Thesen to subscribe for, take up and pay for the said 1,000,000 common shares without par value in the capital of Mount Costigan (as the same shall be reconstituted following the issuance of supplementary letters patent) and the said debentures shall be subject to the following conditions to be fulfilled on or prior to the Second Closing Date and Mount Costigan does hereby covenant and agree that it will do all things necessary and use its best efforts in order to satisfy each of such conditions:

(a) the acceptance for filing by the Ontario Securities Commission, the Quebec Securities Commission and any other Canadian securities regulatory body designated by Thesen of a prospectus of Mount Costigan disclosing all material facts relating to the issue of its securities and qualifying the said 1,000,000 common shares and debentures for sale to the public (the form of which prospectus shall be subject to the approval of the solicitors for Thesen);

(b) the acceptance for filing by the Canadian Stock Exchange of a Filing Statement of Mount Costigan disclosing the proposed issuance of the said securities and all other actual or proposed material changes in the affairs of Mount Costigan;

(c) the receipt by Mount Costigan of the feasibility report referred to herein, provided that said feasibility report shall state that in the opinion of Kenneth McMahon —

(i) an economic mining operation with a duration or life of at least ten years can reasonably be expected to be carried out on the King Island Concessions;

(ii) the annual cash flow from such mining operation (net of all capital cost, operating costs, taxes and other expenditures) can reasonably be expected to average, during the first ten years of such operations, not less than the equivalent of \$700,000 (Canadian);

(iii) the capital requirement to effectively carry such mining operation, including working capital is estimated not to exceed \$2,200,000 (Canadian), or such larger amount as Thesen may approve;

(d) the receipt by Mount Costigan of a firm commitment from an underwriter carrying on business in Australia to purchase treasury shares of the proposed Australian subsidiary on terms satisfactory to Mount Costigan and Thesen in such number and at such price that the proceeds of the issuance of such shares shall be not less than the estimated capital cost of bringing such mining operation into production as certified by such mining engineer or geologist; part of which purchase shall be on behalf of Mount Costigan;

(e) the receipt by Mount Costigan of supplementary letters patent reconstituting its capital as hereinbefore referred to;

In case any of the foregoing conditions shall not be fulfilled at or before the 31st day of October, 1967, Thesen may rescind this agreement by notice to Mount Costigan and in such event Thesen shall be released from all obligations hereunder and unless Thesen can show that the condition or conditions for the non-performance of which Thesen has rescinded such agreement are reasonably capable of being performed by Mount Costigan, then Mount Costigan shall also be released from its obligation hereunder; provided that any of the said conditions may be waived in whole or in part by Thesen without prejudice to its right of rescission in the event of the non-fulfilment of any other condition or conditions, any such waiver to be binding upon Thesen only if the same is in writing.

The right of Thesen to waive any of the said conditions shall apply to Clause 10(d) only if at the time of such waiver, Thesen shall commit itself to provide or arrange for an equivalent firm commitment, it being the intention of this agreement that the issuance of the said

1,000,000 common shares and debentures of Mount Costigan shall only take place if financing sufficient to bring the said Concessions into production is firmly committed.

The obligation of Thesen to subscribe for the said 1,000,000 common shares and debentures shall be further conditional upon Thesen being reasonably satisfied, after consultation with such geologists, mining engineers, metallurgical engineers, metal sales agents and other consultants as it may deem advisable, that all material statements, estimates and conclusions of the feasibility report have been confirmed as correct; and Thesen shall have a period of six months following receipt by Thesen of a copy of the said feasibility report to satisfy itself.

SECOND CLOSING

11. The subscription for, taking up, payment for and issuance of the common shares and debentures as provided for in paragraph 10 hereof shall be completed on such day (herein referred to as the "Second Closing Date") as shall be designated by Thesen to be the Second Closing Date by notice given to Mount Costigan in the manner hereinafter provided not less than five business days prior to such date, such notice to be given not later than three business days following the later of —

(i) the satisfaction of each and every one of the conditions set out in Clause 10(a) to (e) hereof; and

(ii) Thesen being satisfied as to the content of the feasibility report as provided for in the last paragraph of Clause 10 hereof;

(a) on or before the Second Closing Date, Mount Costigan shall deliver to Thesen certificates representing 1,000,000 fully paid and non-assessable common shares without par value in the capital of Mount Costigan (as reconstituted) and debentures of Mount Costigan both in such denominations as shall have been requested by Thesen prior to the Second Closing Date by Thesen and duly and regularly recorded in the name of Thesen or its nominees whereupon, subject to all of the other terms and conditions hereof being complied with, payment of the purchase price for the said shares and debentures shall be made by certified cheque payable at par in Toronto to or to the order of Mount Costigan or in such other manner as Mount Costigan may in writing direct at or prior to the time of closing;

(b) shall execute a trust deed or a debenture trust indenture authorizing the issuance of the debentures referred to in paragraph 4 hereof substantially upon the following terms and conditions:

(i) debentures shall be issued thereunder in denominations of \$1,000 and authorized multiples thereof;

(ii) debentures shall bear interest payable half-yearly at the rate of 7% per annum;

(iii) debentures shall mature in ten years from the date of issue;

(iv) debentures, until maturity, shall be retired out of the annual sinking fund equal to 10% of the aggregate principal amount of debentures issued thereunder;

(v) debentures shall be secured by a first floating charge on all of the assets of Mount Costigan;

(vi) Mount Costigan shall covenant that:

(A) no further funded indebtedness of Mount Costigan shall be issued having a maturity on a date earlier than the date of maturity of the debentures;

(B) no mortgage or other charge shall be given on assets of Mount Costigan to secure any indebtedness other than current bank indebtedness; providing that nothing in the said covenants shall operate to prevent Mount Costigan from pledging investments and shares in other companies (save only the said Australian subsidiary) to secure loans from any source;

(vii) such other attributes as shall reasonably be stipulated for by Thesen;

(c) transfer the King Island Concessions to a company incorporated under the laws of Australia in consideration of the issuance to Mount Costigan of shares in the Australian company so that, following such issuance and before the transfer of any such shares, or the issuance of further shares of the Australian company provided for herein or contemplated by the parties, such Australian company shall be a wholly-owned subsidiary of Mount Costigan;

(d) unless otherwise agreed in writing between Mount Costigan and Thesen, Mount Costigan shall cause its said Australian subsidiary to enter into and complete a financing agreement with an underwriter carrying on business in Australia pursuant to, and on the same terms as, the commitment referred to in Clause 10(d) and Mount Costigan shall enter into an agreement with the said underwriter pursuant to which the entire proceeds received by Mount Costigan from Thesen in respect of the issuance of common shares and debentures pursuant to paragraph 9 hereof shall be applied in the purchase by Mount Costigan from such underwriter of some of the underwritten shares in such Australian company at a price per share equal to the issue price of such shares to the underwriter;

(e) all necessary steps and corporate proceedings as required by the solicitors for Thesen shall be taken to permit the said common shares and the said debentures of Mount Costigan to be duly and regularly issued to Thesen or its nominees;

(f) Thesen shall be furnished with evidence (including affidavits or statutory declarations made by persons approved by Thesen) satisfactory to Thesen that the facts with respect to the matters dealt with in each of the subparagraphs of paragraph 10 hereof are as set forth in such subparagraphs, provided that the reception of such evidence and the closing of the transaction herein provided for shall not be a waiver of the representations and warranties contained herein, which representations and warranties shall continue in full force and effect.

GENERAL

12. Any notice, direction or other instrument required or permitted to be given to Thesen hereunder shall be in writing and may be given by mailing the same postage prepaid or delivering the same addressed to Thesen at 25 Adelaide Street West, Toronto, Ontario. Any notice, direction or other instrument required or permitted to be given by Mount Costigan hereunder shall be in writing and may be given by mailing the same, postage prepaid or delivering the same addressed to Mount Costigan at Suite 509, 25 Adelaide Street West, Toronto, Ontario.

Any notice, direction or other instrument aforesaid if delivered shall be deemed to have been given or made on the date on which it was delivered, or if mailed shall be deemed to have been given or made on the next business day following the date on which it was mailed.

13. The parties hereto hereby covenant and agree that any time and from time to time to execute and deliver any and all such further deeds, instruments, agreements, contracts, and other documents as may be reasonably considered to be necessary or advisable and, without limiting the generality of the foregoing shall execute and deliver all necessary or requisite applications for listing, prospectuses, filing statements, underwriting agreements, sub-underwriting agreements, transfers and conveyances in order to give effect to these presents and to the provisions hereof.

14. This agreement shall enure to the benefit of and be binding upon the respective parties hereto and their respective successors and assigns.

15. Time shall be of the essence of this agreement.

16. This agreement shall be dated as of the 28th day of December, 1966, and may be referred to as being of that date, and shall be effective as from that date, although actually executed and delivered after that date.

17. In the event that at any time prior to the Second Closing Date any event should occur or situation develop in the nature of a force majeure which in the reasonable opinion of Thesen would make it inexpedient or undesirable to offer the said 1,000,000 common shares and the said debentures for sale to the public; and provided that Thesen should have given written notice to Mount Costigan of the existence of such occurrence or situation, the obligation of Thesen to subscribe for, take up and pay for the said 1,000,000 common shares and the said debentures shall be at an end.

The expression "force majeure" as used herein shall include, without limitation, acts of God, strikes, lockouts, or other industrial disputes, war, riots, lightning, fire, storm, flood, explosion, governmental restraints, unavailability of equipment or other causes, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of either party to this agreement.

18. The headings used here are for convenience of reference only, and do not constitute part of this agreement, and shall not affect the interpretation effect hereof.

IN WITNESS WHEREOF the parties hereto have hereunto affixed their corporate seals duly attested by the hands of their proper officers in that behalf.

SIGNED, SEALED AND DELIVERED

THESEN SECURITIES LIMITED

"R. J. ARMSTRONG"

Per: "D. W. KNIGHT"

C/S

"R. J. ARMSTRONG"

MOUNT COSTIGAN MINES LIMITED

Per: "W. L. YOUNG"

Per: "NICHOLAS AXIOTIS"

C/S

SCHEDULE "A" TO THE AGREEMENT DATED DECEMBER 28, 1966, BETWEEN
THESEEN SECURITIES LIMITED AND MOUNT COSTIGAN MINES LIMITED.
DESCRIPTIONS AND CONDITIONS OF THE KING ISLAND CONCESSIONS:

PARCEL 1—

Special Licence No. 9—Special Prospector's Licence under Section 15A of The Mining Act 1929, issued to M. Soloman in respect of 1.3 square miles more or less in the Land District of King Island, vicinity of Sea Elephant River more particularly described as follows:
Commencing at the posted notice situated at the south east corner of the area applied for and being the south east corner of the Town Reserve of Sea Elephant River and bounded on the east by 17 chains or thereabouts northerly along the east boundary of the above-mentioned Town Reserve to Sea Elephant River on the south east by 45 chains or thereabouts north easterly to high water mark on Bass Strait on the north east by 50 chains or thereabouts north westerly crossing the mouth of Sea Elephant River, aforesaid and extending to the north east corner of the Town Reserve of Sea Elephant River aforesaid on the north by 57 chains or thereabouts westerly along the north boundary of the said Town Reserve to the Crown Reservation on Sea Elephant River aforesaid on the north west and north by 140 chains or thereabouts in a general north westerly direction along that Crown Reservation to the south east corner of 500 acres J. R. Webb Purchaser again on the north by 13 chains or thereabouts westerly along that land on the south west by 90 chains or thereabouts south easterly along Special Prospector's Licence 409 1695 acres held by J. H. Curtain to 497. 3. 29. M. P. O'Keefe Purchaser on the south by 20 chains or thereabouts easterly along the last mentioned land to the above-mentioned Crown Reservation on Sea Elephant River again on the south west by 5 chains or thereabouts south easterly along that Reservation to the north west corner of the Town Reserve of Sea Elephant River aforesaid on the west by 84 chains or thereabouts southerly along the west boundary of that Town Reserve and again on the south by 65 chains or thereabouts easterly along the south boundary of the said Town Reserve to the point of commencement.

The licence was issued subject to the condition that the Licencee should commence work on the area within seven (7) days of the grant of the licence and continue investigational work and constantly employ a minimum of two men in boring, sinking test holes and otherwise investigating the area; and a Statement of Expenditure verified by statutory declaration and accompanied by a report should be lodged with the Director of Mines, Hobart, at the end of each calendar month.

PARCEL 2—

Permit to enter No. 1918 granted to Michael Soloman under Section 70 of The Mining Act 1929 in respect of several thousand acres more particularly described in the said permit.

PARCEL 3—

Exploration Licence 10/65—Exploration Licence under Section 15B of The Mining Act 1925 issued to Mount Costigan Mines Limited in respect of 1,343 acres more or less in the Land District of King Island, vicinity of King Island more particularly described as—

AREA 1—850 ACRES

Commencing at the posted notice situate at a north east angle and being the south east angle of 23-0-5 H. Grave Pur and bounded on the east by 10 chains or thereabouts southerly and on the north by 15 chains or thereabouts easterly along parts of the western and southern boundaries of 183-1-20 Helena Ball Pur on the east by 60 chains or thereabouts southerly along the western boundaries of 159-3-28 and 39-2-0 A. G. Talman Pur on the south by 18 chains or thereabouts westerly and again on the east by 23 chains or thereabouts southerly along part of the northern boundary and along the western boundary of 88-2-19 C. H. Tolman Pur again on the south by 7 chains or thereabouts westerly again on the east by 24 chains or thereabouts southerly and again on the north by 7 chains or thereabouts easterly along part of the northern along the western and along part of the southern boundaries of 99-2-23 C. H. Tolman Pur again on the east by 16 chains or thereabouts southerly and again on the north by 7 chains or thereabouts easterly along the western and part of the southern boundaries of 49-3-7 A. G. Tolman Pur again on the east by 11 chains or thereabouts southerly along the western boundary of 22-2-33 A. G. Tolman Pur again on the south by 13 chains or thereabouts westerly and again on the east by 16 chains or thereabouts southerly along part of the northern boundary and along the western boundary of 49-3-39 A. G. Tolman Pur again on the south by 26 chains or thereabouts westerly along part of the northern boundary of 99-3-27 Mary Keys Pur on the west by 28 chains or thereabouts northerly along part of the eastern boundary of 49-3-17 Mary Keys Pur and along the eastern boundary of 49-3-25 Mary Keys Pur again on the south by 4 chains or thereabouts westerly along part of the northern boundary of 49-3-25 aforesaid again on the west by 33 chains or thereabouts northerly along the eastern boundaries of 80-0-18 and 19-3-0. F. J. Waterhouse Pur again on the south by 30 chains or thereabouts westerly along the northern boundary of 80-0-18 aforesaid again on the west by 100 chains or thereabouts northerly along part of the eastern boundary of 499-2-16 M. A. Hooker Pur and along Crown Land and again on the north by 68 chains or thereabouts easterly along the southern boundaries of Sea Elephant River Town Reserve 11-1-22 8/10. acquired for Postal Purposes and 23-0-5 aforesaid to the point of commencement.

AREA 2—493 ACRES

Commencing at the posted notice situate at the north east angle and being the south east angle of 249-3-35 Mary Keys Pur and bounded on the east by 50 chains or thereabouts southerly along Crown Reservation on the south by 100 chains or thereabouts westerly along the northern boundary of 494-0-14 E. O. Collier Pur and a northern boundary of 499-2-7 L. A. Nicholls Pur on the west by 50 chains or thereabouts northerly along an eastern boundary of 499-2-7 aforesaid and part of the eastern boundary of 499-2-25 The Coopers Company Pty. Ltd. Pur and on the north by 100 chains or thereabouts easterly along the southern boundaries of 484-2-17 S. A. Hooker Pur and 249-3-35 aforesaid to the point of commencement. The same as shown on survey diagram King Island Volume 30 Folio 18.

The said licence is subject to the conditions that the Licencee within seven (7) days of the issue of the licence takes steps to commence preliminary investigation that the Licencee should carry out investigations as necessary to investigate the mineral potential of the area, that a Statement of Expenditure verified by statutory declaration should be filed with the Director of Mines, Hobart, at the end of each calendar month; that such Statement should be accompanied by a progress report; that the Licencee should furnish the Director of Mines, Hobart, with complete reports and plans of the exploration work and that the licence applies to minerals and stone but does not include oil.

PARCEL 4—

Special Licence No. 2—Special Prospector's Licence under Section 15A of The Mining Act 1929 issued to M. Gatenby in respect of 680 acres more or less in the Land District of King Island, vicinity of Naracoopa, more particularly described as follows:

Commencing at low water mark at the mouth of the Fraser River thence by the left hand bank of that river in a general north westerly direction to a point on the eastern boundary of land owned by the Closer Settlement Board and known as the Pegarah Settlement Scheme northerly and westerly by part of the eastern boundary and part of the northern boundary of that land aforesaid to the south west corner of former mineral lease 15M/56 northwesterly and easterly by the southwest and north boundaries of 15M/56 aforesaid and the north boundary of former mineral lease 14M/56 and part of the north boundary of former mineral lease 11M/56 to high water mark in a general north westerly direction by that high water mark to Boulder Point on the north easterly to low water mark and in a general southeasterly direction by that low water mark to the point of commencement.

The area embraced by this licence is exclusive of private property; municipal and public reservations and roadways; leases, water and easement licences special and other prospectors' licences and miners' rights issued under the Mining Act, 1929, and held or marked out prior to the date of marking out of this Special Prospector's Licence.

The said licence was issued subject to the conditions Licencee should commence work within seven (7) days of the grant of the licence and continue investigational work during the term hereof and constantly employ a minimum of two men in boring, sinking test holes and otherwise investigating the area; and that a Statement of Expenditure filed by statutory declaration and accompanied by a progress report should be lodged with the Director of Mines, Hobart, at the end of each calendar month.

Mineral leases Numbers 69M/64 covering 62 acres and 70M/64 covering 20 acres issued to W. C. Burrows, J. H. Curtain and M. Gatenby located in the vicinity of the Fraser River and Naracoopa, King Island.

Special Licence No. 7—Special Prospector's Licence under Section 15A of the Mining Act, 1929 issued to John Cornelius Curtain in respect of 500 acres more or less in the Land District of King Island, vicinity of Naracoopa and more particularly described as follows:

Commencing at the posted notice situate at the south west angle of area applied for and being at low water mark on a prolongation of the northern boundary of the Cable Station Reserve and bounded on the west by 500 chains or thereabouts northerly along the said low water mark to Cowper Point and extending 10 chains to seaward.

The area embraced by this licence is exclusive of all private property, municipal and public reservations and roadways, leases, water and easement licences, special and other prospectors' licences and miners' rights issued under the Mining Act, 1929, and held or marked out prior to the date of marking out of this Special Prospector's Licence.

The said licence was issued subject to the conditions that the Licencee should commence work within seven (7) days of the grant of the licence and continue investigational work during the term thereof and constantly employ a minimum of two men in boring, sinking test holes and otherwise investigating the area; that a Statement of Expenditure filed by special declaration and accompanied by a progress report should be lodged with the Director of Mines, Hobart, at the end of each calendar month; that the licence should apply to tin, titanium and associated minerals and that the exploration powers conferred should not be exercised unless the consent in writing of the Marine Board of King Island is obtained and lodged with the Director of Mines.

MOUNT COSTIGAN MINES LIMITED

Suite 509, 25 Adelaide Street West
Toronto, Ontario, Canada

PROXY

ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

The undersigned shareholder of MOUNT COSTIGAN MINES LIMITED hereby appoints William Lee Young President, or him failing, George Donald Pattison Vice-President, or him failing, as the proxy of the undersigned to vote and act for and on behalf of the undersigned at the annual and general meeting of shareholders of the Company to be held on the 21st day of June, 1967, and at any adjournment or adjournments thereof, and without limiting the general authorization and power hereby given, the persons named above are specifically directed to vote as indicated below:

- | | | |
|---------|--------------------------|---|
| FOR | <input type="checkbox"/> | Confirmation without variation as a Special Resolution of the resolution of directors |
| AGAINST | <input type="checkbox"/> | changing the location of the head office to the City of Toronto. |
| FOR | <input type="checkbox"/> | Confirmation without variation as a Special Resolution of the resolution of directors |
| AGAINST | <input type="checkbox"/> | authorizing an application for supplementary letters patent changing the name of the Company and reorganizing its capital. |
| FOR | <input type="checkbox"/> | Confirmation without variation as a Special Resolution of the resolution of directors |
| AGAINST | <input type="checkbox"/> | authorizing the execution and delivery of the December 28th, 1966, agreement between Thesen Securities Limited, which if carried out will involve the sale of a major part of the undertaking of the Company as an entirety to an Australian subsidiary to be formed. |

Unless otherwise indicated above, this proxy will be voted in favour of confirmation of each of the resolutions referred to herein. This proxy will be voted in the election of the Board of Directors and in favour of the appointing of auditors all as set forth in the information circular for said meeting, receipt of which is acknowledged. If any further matters properly come before the meeting, this proxy will be voted on such matters according to the best judgment of the persons voting the proxy at the meeting.

DATED this

day of June, 1967.

.....
Signature of Shareholder

NOTE 1. Where the instrument is signed by a Corporation, its corporate seal must be affixed.

2. THIS PROXY IS SOLICITED ON BEHALF OF THE MANAGEMENT.

If you are the holder of shares and are not able to be personally present at the annual and general meeting of shareholders, kindly fill in, sign and return this instrument of proxy in the envelope provided for that purpose.

